

Message Text

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ORIGIN SS-15

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 INRE-00
ACDA-12 CIAE-00 INR-10 IO-13 L-03 NSAE-00 EB-08
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APPROVED BY T:LSCHEINMAN
ACDA:RROCHLIN
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DOE:FMCGOLDRICK
DOE:AGIAMBUSO

-----115810 110039Z /61
O 102320Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY VIENNA IMMEDIATE

C O N F I D E N T I A L STATE 036374

USIAEA

E.O. 11652: GDS

TAGS: ENRG, MNUC, TECH, PARM

SUBJECT: US CONTRIBUTION TO INFCE WORKING GROUP 3

1. PLEASE PASS THE FOLLOWING IMMEDIATELY TO: CO-CHAIRMAN,
INFCE WORKING GROUP 3, AUSTRALIAN EMBASSY, VIENNA;
CO-CHAIRMAN, INFCE WORKING GROUP 3, EMBASSY OF SWITZERLAND,
VIENNA; H.E. DOMINGO L. SIAZON, JR., PHILIPPINE RESIDENT-
REPRESENTATIVE TO THE IAEA.

BEGIN TEXT

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CONFIRMING PREVIOUS NOTIFICATION, THE UNITED STATES
WISHES TO PROVIDE A SUBSTANTIVE PAPER ON THE PRESENT
SITUATION IN URANIUM ENRICHMENT IN CONFORMITY WITH THE
SCOPE IDENTIFIED IN INFCE/WG3/23 AND 25, FOR CIRCULATION
PRIOR TO APRIL WG/3 MEETING.

I. OUTLINE OF PROPOSED PAPER IS AS FOLLOWS;

SUBSTANTIVE PAPER ON URANIUM ENRICHMENT COVERING "PRESENT
POSITION" TOPICS IN INFCE/WG/3/23 AND 25

I. INTRODUCTION

A. PURPOSE

THE PURPOSE OF THE PAPER WILL BE TO PROVIDE A FACTUAL BASIS, THROUGH COMPILATION OF EXISTING INFORMATION ON THE ENRICHMENT MARKET AND POLICIES AND PRACTICES OF ENRICHMENT SUPPLIERS AND CUSTOMERS, FOR PERMITTING AN EVALUATION OF THE EFFECTIVENESS OF EXISTING MECHANISMS FOR ASSURING SUPPLIES OF ENRICHMENT. THIS WILL SERVE AS A BASIS FOR IDENTIFYING AND EVALUATING ADDITIONAL OR ALTERNATIVE MECHANISMS FOR IMPROVING ASSURANCES OF ENRICHMENT SUPPLY.

B. SCOPE

THE PAPER WILL SUMMARIZE NATIONAL IMPORT, EXPORT AND NON-PROLIFERATION POLICIES, ENRICHMENT SUPPLY ARRANGEMENTS, CONTRACTING POLICIES AND PRACTICES AND AVAILABLE GUARANTEES, RECOGNIZING BOTH GOVERNMENTAL (BILATERAL AND MULTILATERAL) AND COMMERCIAL MEASURES, FOR THE EXISTING WORLDWIDE ENRICHMENT MARKET. WHILE CONFIDENTIAL

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CERTAIN PUBLISHED INFORMATION EXISTS REGARDING PRACTICES OF SUPPLIERS OTHER THAN THE US, THE QUALITY OF THE REPORT WILL BE SOMEWHAT DEPENDENT UPON RECEIPT OF TIMELY SUPPLEMENTARY INFORMATION FROM OTHER SUPPLIERS.

II. DESCRIPTION AND EVALUATION OF THE EXISTING ENRICHMENT MARKET

A. AVAILABLE ENRICHMENT SUPPLY

EXISTING ENRICHMENT CAPACITY, AND ADDITIONAL CAPACITY NOW UNDER CONSTRUCTION OR FIRMLY COMMITTED TO CONSTRUCTION, WHICH IS AVAILABLE FOR ENRICHMENT FOR NUCLEAR POWER REACTOR FUEL WILL BE TABULATED AS A FUNCTION OF TIME. THIS SHOULD INVOLVE URENCO, FRANCE, USSR, SOUTH AFRICA AND THE UNITED STATES, AND ANY OTHERS INDICATING A FIRM COMMITMENT TO CONSTRUCT ENRICHMENT CAPACITY.

B. SUPPLY ARRANGEMENTS, LONG TERM CONTRACTS AND GUARANTEES IN THE CONTEXT OF NATIONAL IMPORT, EXPORT AND NON-PROLIFERATION POLICIES

1. NATIONAL POLICIES

A. POLICIES OF INDIVIDUAL COUNTRIES

THIS SECTION WILL IDENTIFY THE KEY NATIONAL POLICIES OF INDIVIDUAL STATES WHICH FORM THE CONTEXT IN WHICH THE EXISTING ENRICHMENT MARKET MUST BE CONSIDERED. FOR EXAMPLE, POLICIES ON THE EXPORT OF ENRICHMENT TECHNOLOGY WOULD BE SUMMARIZED.

- B. RELATED INTERNATIONAL ARRANGEMENTS, E.G., THE NPT AND SUPPLIER GUIDELINES.

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2. SUPPLY ARRANGEMENTS

THIS SECTION WILL COVER GOVERNMENTAL AGREEMENTS OR OTHER UMBRELLA ARRANGEMENTS FOR ENRICHMENT CAPACITY UNDER CONSTRUCTION, E.G., EURODIF, AND OTHER ARRANGEMENTS WHICH ARE PERTINENT TO THE SUPPLY OF ENRICHMENT SERVICES. IT WILL SUMMARIZE SUCH KEY FEATURES OF ARRANGEMENTS AS ARE APPROPRIATE TO ANALYSIS OF THE STRUCTURE OF THE EXISTING ENRICHMENT MARKET, E.G., SCOPE AND DURATION OF ARRANGEMENTS, FINANCIAL AND PRICING BASIS, LIMITING FEATURES AS TO AVAILABILITY OF ENRICHMENT SERVICES, ETC.

3. COMMERCIAL CONTRACTS

SIMILARLY, THIS SECTION WILL DESCRIBE EXISTING COMMERCIAL CONTRACTS FOR ENRICHMENT SERVICES INCLUDING DURATION, SCOPE, FINANCIAL AND PRICING BASIS, RESTRICTIONS AS TO AVAILABILITY, AND OTHER RELEVANT FEATURES. FOR EXAMPLE, IN THE CASE OF THE US, THE SECTION WILL CHARACTERIZE THE REQUIREMENTS-TYPE CONTRACT, THE LONG-TERM FIXED COMMITMENT-TYPE CONTRACT, THE NEW ADJUSTABLE FIXED COMMITMENT CONTRACT ANNOUNCED ON FEBRUARY 7, AND VARIOUS SHORT-TERM ENRICHMENT SUPPLY MEASURES.

4. EXISTING GUARANTEES FOR ASSURING SUPPLY AND DEMAND

- A. RESPECTIVE COMMITMENTS OF SUPPLIERS AND CUSTOMERS

- B. BACKUP ARRANGEMENTS FOR SUPPLY OR
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DEMAND FAILURES

THIS SECTION WILL SUMMARIZE OBLIGATIONS OF BOTH SUPPLIERS AND CUSTOMERS AND DESCRIBE EXISTING

METHODS BY WHICH THOSE OBLIGATIONS WOULD BE MET IN THE EVENT OF PRODUCTION OR DEMAND BREAKDOWN. FOR EXAMPLE, THE DISCUSSION WILL COVER THE US EMERGENCY SALE-LEASE PROCEDURE FOR ENRICHED FUEL, CONTRACT ASSIGNMENT OPTIONS, AVAILABILITY OF STOCKPILES TO SUPPLIERS AND ANY OTHER SAFETY NET ARRANGEMENTS.

5. FACTORS AFFECTING CURRENT ENRICHMENT
MARKET STABILITY

THIS SECTION WILL SEEK TO PROVIDE AS COMPLETE A SUMMARY AS PRACTICABLE OF THOSE FACTORS WHICH HAVE SIGNIFICANCE FOR THE STABILITY OF THE EXISTING MARKET SYSTEM AND FOR ASSURANCES OF SUPPLY. THE FOLLOWING TOPICS MAY BE CONSIDERED:

A. OVERALL SUPPLY-DEMAND RELATIONSHIPS INCLUDING ASSURANCE OF MARKET FOR SUPPLIERS IN THE FACE OF POSSIBLE DECLINING DEMAND FROM EARLIER FORECASTS AND SUPPLIER RESPONSE TO DEMAND CHANGES.

B. APPORTIONMENT OF RISKS BETWEEN SUPPLIERS AND CUSTOMERS; IMPLICATIONS OF SUPPLIER OR CUSTOMER DEFAULT.

C. PROBABILITY OF PRODUCTION SYSTEM FAILURES.

D. PROBABILITY OF DEMAND FAILURES.

E. OPPORTUNITIES FOR, AND ECONOMICS OF, SWU/NATURAL URANIUM TRADE OFFS INCLUDING ALSO A BRIEF CONFIDENTIAL

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DISCUSSION OF THE EFFECTS ON NATURAL URANIUM MARKET STABILITY.

F. CUSTOMER INVESTMENT IN PRODUCTION FACILITIES.

C. EFFECTIVENESS OF EXISTING SUPPLY ARRANGEMENTS, CONTRACTS AND GUARANTEES

1. PAST EXPERIENCE

THIS SECTION WILL SUMMARIZE PAST EXPERIENCE WITH, AND IMPLICATIONS OF, SUPPLY OR DEMAND FAILURES OR DELAYS IN SUPPLY DELIVERIES.

2. ANALYSIS OF EXISTING SYSTEM

IN THE LIGHT OF THE INFORMATION

COMPILED ON THE CHARACTER OF THE EXISTING ENRICHMENT SYSTEM THIS SECTION WILL ANALYZE THE STRENGTHS AND WEAKNESSES OF THE PRESENT SYSTEM.

III. MULTINATIONAL OR INTERNATIONAL MECHANISMS
GUARANTEEING TIMELY DELIVERIES IN CASE OF DELAY
OR CUT OFF OF SUPPLIES

A. EXISTING MECHANISMS

THIS SECTION WILL IDENTIFY ANY EXISTING MECHANISMS ASSOCIATED WITH A TEMPERING OF THE PROBLEM OF DELAYS OR CUT OFFS AND DESCRIBE THE NATURE AND SCOPE OF SUCH ACTIVITIES.

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B. EFFECTIVENESS OF EXISTING MECHANISMS

THIS SECTION WILL ASSESS THE ADEQUACY OF EXISTING SYSTEMS.

THE PROPOSED OUTLINE OR TOPIC ARRANGEMENT MAY BE ALTERED SLIGHTLY AS WORK PROCEEDS TO PROVIDE BEST ORGANIZATION OF THE PAPER CONSISTENT WITH AVAILABLE INFORMATION.

WHILE THE US HAS SOME INFORMATION REGARDING THE POLICIES AND PRACTICES OF OTHER ENRICHMENT SUPPLIERS THE QUALITY AND COMPLETENESS OF THE PAPER WILL BE SOMEWHAT DEPENDENT UPON RECEIPT OF TIMELY SUPPLEMENTARY INFORMATION FROM THE SUPPLIERS.

US DESIRE TO PROVIDE A SUBSTANTIVE PAPER STEMS FROM FACT THAT AS THE PRINCIPAL SUPPLIER COUNTRY WITH THE LARGEST EXPERIENCE IN ENRICHMENT SERVICES, THE US HAS CONSIDERABLE KNOWLEDGE OF AND BACKGROUND IN SUCH KEY MATTERS AS CONTRACTS, DELIVERY OF SERVICES, AND SAFETY NET SYSTEMS (E.G., STOCKPILING AND EMERGENCY SALE-LEASE PROCEDURES) AND FEELS THAT IT IS IN A GOOD POSITION TO

PRESENT A COMPREHENSIVE DESCRIPTION AND EVALUATION OF THE PRESENT AND EMERGING ENRICHMENT MARKET. MOREOVER, THE CARTER ADMINISTRATION HAS LAUNCHED A MAJOR POLICY INITIATIVE IN THE AREA OF FUEL ASSURANCE AND THE UNITED STATES CLEARLY HAS A STRONG INTEREST IN THE ADEQUACY AND VIABILITY OF THE INTERNATIONAL MARKET STRUCTURE FOR ENRICHMENT.

SECOND, IN ADDITION TO A PAPER ON ENRICHMENT, THE US WOULD LIKE TO NOTE THE FOLLOWING INTERESTS TO THE CO-CHAIRMAN OF WORKING GROUP 3.

(A) AS A LONG-TIME MAJOR SUPPLIER COUNTRY, THE UNITED
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STATES IS COMMITTED TO DEVELOPING MECHANISMS WHICH IN-
CREASE CONSUMER CONFIDENCE AND PROVIDE FOR STABLE AND
HARMONIOUS YET FLEXIBLE RELATIONSHIPS BETWEEN CONSUMER
AND SUPPLIER STATES. AS SUCH, THE US IS ALSO PREPARED
TO PARTICIPATE IN THE PREPARATION OF A PAPER FOR TOPIC
NUMBER 10 IN INFCE/WG3/24.. WE FEEL THAT THIS SUBJECT
CAN BE BEST EVALUATED AFTER THE PAPERS PREPARED FOR THE
TOP HALF OF THE MATRIX IN INFCE/WG3/25 ARE COMPLETED.
HOWEVER, IF A STATE VOLUNTEERS TO PREPARE A PAPER FOR
TOPIC NUMBER 10 FOR THE APRIL 24-28 MEETING, THE US
WILL BE PREPARED TO CONTRIBUTE MATERIAL FOR THAT PAPER.

(B) FINALLY, THE US IS PREPARED TO PRESENT A BRIEF PAPER
OUTLINING THE CONCEPT OF AN INTERNATIONAL FUEL BANK
REFERRED TO BY PRESIDENT CARTER AT THE INAUGURAL MEETING
OF INFCE IN WASHINGTON IN OCTOBER, 1977. THIS WOULD
COVER THE GENERAL CONCEPT AND WOULD IDENTIFY SUCH
ELEMENTS AS THE POTENTIAL OBJECTIVES, STRUCTURE,
CHARACTER AND OPERATION OF AN INTERNATIONAL BANK. THIS
APPEARS AS TOPIC NUMBER 11 IN INFCE/WG3/24.

END TEXT.

REPEAT URGENCY OF DELIVERING TEXT TO ADDRESSEES IN FIRST
PARAGRAPH ON MONDAY FEBRUARY 13. VANCE

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<< END OF DOCUMENT >>

Message Attributes

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Draft Date: 10 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
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Disposition Case Number: n/a
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